

Oversight Division

Committee On Legislative Research

PROGRAM EVALUATION:
UNEXPENDED FUND BALANCES

Program Evaluation: Unexpended Fund Balances

*Prepared for the Committee on Legislative Research
by the Oversight Division*

Mickey Wilson, CPA, Acting Director

Review Team:

Mickey Wilson, CPA, Team Leader, Linda Dudgeon, Greg Beeks, Erika Andersen

TABLE OF CONTENTS

| | |
|---|-----|
| COMMITTEE ON LEGISLATIVE RESEARCH | ii |
| LETTER OF TRANSMITTAL | iii |
| EXECUTIVE SUMMARY | iv |
| CHAPTER 1 - INTRODUCTION | 1 |
| CHAPTER 2 - COMMENTS | 6 |
| APPENDIX 1 - CASH BALANCES | |
| APPENDIX 2 - APPROPRIATIONS | |
| APPENDIX 3 - REAPPROPRIATIONS | |
| APPENDIX 4 - EXPENDITURES | |
| APPENDIX 5 - LAPSED BALANCES | |
| APPENDIX 6 - AGENCY RESPONSE | |

COMMITTEE ON LEGISLATIVE RESEARCH

OVERSIGHT SUBCOMMITTEE

THE COMMITTEE ON LEGISLATIVE RESEARCH, Oversight Division, is an agency of the Missouri General Assembly as established in Chapter 23 of the Revised Statutes of Missouri. The programs and activities of the State of Missouri cost approximately \$17 billion annually. Each year the General Assembly enacts laws which add to, delete or change these programs. To meet the demands for more responsive and cost effective state government, legislators need to receive information regarding the status of the programs which they have created and the expenditure of funds which they have authorized. The work of the Oversight Division provides the General Assembly with a means to evaluate state agencies and state programs.

THE COMMITTEE ON LEGISLATIVE RESEARCH is a permanent joint committee of the Missouri General Assembly comprised of the chairman of the Senate Appropriations Committee and nine other members of the Senate and the chairman of the House Budget Committee and nine other members of the House of Representatives. The Senate members are appointed by the President Pro Tem of the Senate and the House members are appointed by the Speaker of the House of Representatives. No more than six members from the House and six members from the Senate may be of the same political party.

EVALUATIONS ARE ASSIGNED to the Oversight Division pursuant to a duly adopted concurrent resolution of the General Assembly or pursuant to a resolution adopted by the Committee on Legislative Research. Legislators or committees may make their requests for program evaluations through the Chairman of the Committee on Legislative Research or any other member of the Committee.

COMMITTEE ON LEGISLATIVE RESEARCH

Senators:

Senator Larry Rohrbach, Chairman
Senator Roseann Bentley
Senator Harold Caskey
Senator Ronnie DePasco
Senator Michael Gibbons
Senator Bill Kenney
Senator John T. Russell
Senator Marvin Singleton
Senator Stephen Stoll
Senator Harry Wiggins

Representatives:

Representative Robert M. Clayton III
Representative Jason Crowell
Representative D. J. Davis
Representative Tim Green
Representative Catherine Hanaway
Representative Kenneth Legan
Representative Randall Relford
Representative O.L. Shelton
Representative Bill Skaggs
Representative Merrill Townley

SENATORS:

LARRY RORHBACH
Chairman
ROSEANN BENTLEY
HAROLD CASKEY
RONNIE DePASCO
MICHAEL GIBBONS
BILL KENNEY
JOHN RUSSELL
MARVIN SINGLETON
STEPHEN STOLL
HARRY WIGGINS

STATE OF MISSOURI**REPRESENTATIVES:**

ROBERT M. CLAYTON III
Vice Chairman
JASON CROWELL
D.J. DAVIS
TIMOTHY GREEN
CATHERINE HANAWAY
KENNETH LEGAN
RANDALL RELFORD
O.L. SHELTON
BILL SKAGGS
MERRILL TOWNLEY

COMMITTEE ON LEGISLATIVE RESEARCH

STATE CAPITOL
JEFFERSON CITY, MISSOURI 65101-6806

February 27, 2002

Members of the General Assembly:

As authorized by Chapter 23, RSMo, the Committee on Legislative Research adopted a resolution on May 14, 2001 directing the Oversight Division to perform a program evaluation of the unexpended fund balances within the state which included the examination of records and procedures in the Office of Administration to determine and evaluate procedures in accordance with the objectives, responsibilities, and duties as set forth by statute or regulation.

The accompanying report includes Oversight's comments on internal controls, compliance with legal requirements, management practices, program performance and related areas. We hope this information is helpful and can be used in a constructive manner for the betterment of the state program to which it relates.

Respectfully,

A handwritten signature in cursive script, reading "Larry Rohrbach".

Senator Larry Rohrbach
Chairman

EXECUTIVE SUMMARY

The State of Missouri has an annual budget cycle on fiscal year basis beginning on July 1st and ending on June 30th each year. During the legislative session, funding is appropriated by the General Assembly for specific purposes and is expended by the executive branch during the course of the fiscal year. Supplemental appropriations may be made by the legislature at mid-year when necessary. The state budget is comprised of over 450 funds, some with dedicated funding sources. These funds have been established constitutionally, administratively, or through statute. The following is a definition of each. As of June 30, 2001, there were 44 constitutionally established funds, 81 administratively created funds within the state treasury, and 338 statutorily established funds.

The scope of the review concentrated on the unexpended cash balances and reasons for large unexpended cash balances that were administered by various state agencies for the time period of July 1, 1996 through June 30, 2001. The methodology used by the Oversight Division included inquiries of fund descriptions and fund processing and evaluations of management controls to the extent necessary to fulfill evaluation objectives. A primary method used to measure objectives was conducting personal interviews and surveys with agency personnel.

During Oversight's review of administratively created funds, it appears that some funds may be unnecessary. In reviewing these funds Oversight noted four funds have not experienced any fund activity for the last four fiscal years and fourteen funds (including the four previously mentioned) that did not have any activity in the last fiscal year, Fiscal Year 2001. The Office of Administration (OA) indicated that they do eliminate unnecessary funds but that it occurs on an infrequent basis. OA stated that they have no written procedures as to what process is used to do this, or how extensive the analysis is to make the determinations. Currently the State of Missouri administers over 450 state funds. This large number of funds creates an administrative burden upon the state. Any unnecessary funds should be eliminated to reduce the burden.

OA administratively creates funds through its own interpretation of authority outlined in Section 33.060, RSMo. Section 33.060 states "the commissioner of administration shall keep the general accounting books of the state, ... including an account of all moneys received by the state from any source and of every separate fund in the treasury authorized by law." However, in reviewing the process of creating administrative funds, Oversight noted there were no written procedures for this process. Some reasons given by various state agencies for the establishment of a new fund include: 1) to track the large amount of appropriation for a specific purpose; 2) so accounting for this purpose can be kept separate from other federal funds due to its short term nature; 3) to heighten awareness of the short term nature of funding source; 4) to separately track a one-time \$220,000 federal grant received to develop a state crime insurance program, and; 5) to distinguish cash donations from stock and security donations. The lack of written standards and procedures leaves this process open to questions regarding consistency, necessity, and equity, and hinders the review and evaluation steps performed in effective public administration.

As of June 30, 2001, the State of Missouri had 254 special revenue funds in the state treasury. These funds have been established to account for various activities including professional registration, public education, conservation and environmental protection, judicial protection and assistance, agriculture and state fair, social assistance, highways and transportation, unemployment and workers' compensation, and reimbursements and other. Many of these special revenue funds are allowed to retain interest earnings and are exempted from the biennial transfer (section 33.080, RSMo) to the General Revenue Fund. For the year ended June 30, 2001, special revenue funds earned and retained interest earnings of approximately \$88.9 million.

Special revenue funds are supported by centralized OA operations funded through the General Revenue Fund. For example, the General Revenue Fund incurred appropriations of \$31,074,317 for accounting, purchasing, facilities management, and design and construction during the fiscal year ended June 30, 2001. Based on fiscal year 2001 appropriations, special revenue funds accounted for twenty-eight percent of the total state appropriations. This would have resulted in the special revenue funds reimbursing the General Revenue Fund \$10.9 million for services that were incurred but not paid by the special revenue funds. The limitation of expenses to be charged to the special revenue funds could be limited to the amount of interest earnings that a special revenue fund retains. This would not allow the special revenue funds to increase fees charged to taxpayers of Missouri to cover these costs. A more detailed study may be needed to establish a system that would allow for the special revenue funds to incur these costs. The study may also point out additional services that are being paid by the General Revenue Fund that benefit the special revenue funds, such as elected officials, and the legislature.

Oversight reviewed the appropriations, expenditures, and ending cash balances for the last three fiscal years for all state funds. We identified thirty-three special revenue state funds for further investigation and analysis. The funds selected were those that had either a large lapse appropriation or a large cash balance in relation to annual expenditures, or both. We surveyed the administering state agencies requesting that they verify the funds enabling language, explain why the appropriation lapsed and/or why the cash balance increased, and describe the spending plan for the fund balance. Oversight further analyzed each administering state agency to determine if the spending of general revenue was made for the benefit of special revenue funds. The effect of spending general revenue sources instead of special revenue sources may be two-fold: 1) decreases the amount of general revenue available for other programs or lapse for use by the state in the following year; or 2) allows special revenue to accumulate in the fund increasing the cash balance in the special revenue fund which may not lapse at the end of the fiscal year. In addition, many of these special revenue funds earn interest income which is retained in the fund.

For example, the Petition Audit Revolving Trust Fund administered by the State Auditor's Office (SAO) received appropriations totaling \$1,815,337 for the three years ending June 30, 2001 while spending \$207,011. Receipts totaling \$522,522 were deposited into the fund during this same time period allowing the fund to increase the cash balance by \$315,511 plus interest earnings. The intent of this fund is to pay for the costs incurred by the SAO of performing

petition audits, and those direct costs should be paid from this fund. Paying petition audit costs from General Revenue or some other funding source when funds were available in the Petition Audit Revolving Fund does not appear appropriate. The SAO stated they intend to spend down this increase in the cash balance by approximately \$25,000 per month during fiscal year 2002.

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director

Chapter 1 - Introduction

The Joint Committee on Legislative Research directed the Oversight Division to conduct a program evaluation to determine:

- if there are current state funds that have been eliminated that are still in use;
- if there are new state funds that have not been established for use;
- if legislative intent has been met;
- if the process to create administratively created funds is proper and concurs with the intent of the legislature;
- if administratively created funds are efficient and effective;
- determine the amounts of lapsed balances and how the Office of Administration - Division of Budget and Planning allows for lapsed balances in computing subsequent years budgets;
- if any fund balance is increasing and the reasons for the increase;
- and prepare a compilation of cash balances for the evaluation period.

Background

The State of Missouri has an annual budget cycle on fiscal year basis beginning on July 1st and ending on June 30th each year. During the legislative session, funding is appropriated by the General Assembly for specific purposes and is expended by the executive branch during the course of the fiscal year. Supplemental appropriations may be made by the legislature at mid-year when necessary.

The state budget is comprised of over 450 funds, some with dedicated funding sources. These funds have been established constitutionally, administratively, or through statute. The following is a definition of each.

CONSTITUTIONALLY - Submitted and approved by the voters of Missouri. These types of funds have restrictions on the use and transfer of the funds. As of June 30, 2001, there were 44 constitutionally established funds.

ADMINISTRATIVELY CREATED - Created to meet the need of federal regulations or to account for special revenues that are restricted to their deposit and uses. A state agency will submit to the Office of Administration - Division of Accounting (DOA) a request and justification for the establishment of a new fund. DOA will ask if the funds for the new fund are being removed from the General Revenue Fund, why the fund is needed (federal program regulations, IRS regulations, etc.), and is there an existing fund could be used versus establishing a new fund. As of June 30, 2001 there were 81 administratively created funds within the state treasury.

STATUTORILY - Created through legislation passed by the legislature and enacted into law by the governor. These types of funds are established to account for revenues and expenditures that are deemed to be in the best interest of the public. As of June 30, 2001, there were 338 statutorily established funds.

The funds can be classified into the following fund types:

GENERAL - Accounts for all current financial resources not required by law or administrative action to be accounted for in another fund. As of June 30, 2001, there were 83 general fund types.

SPECIAL REVENUE - Accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. For example:

Professional Registration - Provides for the control of various professions. Each profession has its own fund to account for its operation. Registration fees are assessed for businesses and individuals in certain professions wanting to do business in Missouri.

Public Education - Provides general and special education needs of the State and other related areas such as library services and student loans. The major revenue sources are the General Revenue Fund (for the State School Moneys Fund) and the Proposition C sales tax (1%) approved by the voters in November, 1982 (School District Trust Fund).

Conservation and Environmental Protection - Provides for the preservation of the State's wildlife and environment. The major sources of revenue are the conservation sales tax (approved by the voters in November, 1976), the soil and water and parks sales tax (approved by the voters in August, 1984 and renewed twice by the voters), and various license and inspection fees.

Judicial Protection and Assistance - Provides for protection of public employees by the Attorney General's Office, conviction of criminal offenders by prosecuting attorneys and assistance to victims of criminal offenses. Major sources of revenue for these funds are court costs and fees for services rendered.

Agriculture and State Fair - Provides for inspections of products, market development and awards for competition at the State Fair. Major sources of revenue for these funds are fees for services rendered , marketing fees, and inspection fees.

Social Assistance - Provides financial, health and other services to qualifying individuals. The revenues for these funds come from a wide variety of appropriations, grants, fees, sales, and taxes (cigarette and Blind Pension).

Highways and Transportation - Provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety. The major source of funding for these funds is the tax on the consumption of motor fuel. Sales taxes on motor vehicles and license fees also provide significant funding.

Unemployment and Workers' Compensation - Provides for the administration of laws and benefits to workers who qualify for workers' compensation. The major revenue source is taxes paid by businesses.

Reimbursements and Other - Provides various reimbursements of costs to other governments and various regulatory commissions not included in other functional areas. The primary sources for these funds are fees. There are some appropriations and directed taxes (Council of the Arts and Division of Tourism, for example).

As of June 30, 2001, there were 254 special revenue fund types.

DEBT SERVICE - Accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest. As of June 30, 2001, there were 23 debt service fund types.

CAPITAL PROJECTS - Account for the financial resources to be used for the acquisition or construction of major capital facilities. As of June 30, 2001, there were 27 capital project fund types.

ENTERPRISE - Accounts for operations that are financed and operated in a manner similar to private business enterprises. As of June 30, 2001, there were 21 enterprise fund types.

INTERNAL SERVICE - Accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the State on a cost-reimbursable basis. As of June 30, 2001, there were 14 internal service fund types.

AGENCY AND TRUST - Accounts for assets held by the State in a trustee or agent capacity. As of June 30, 2001, there were 41 agency and trust fund types.

BUDGET PROCESS

The state's annual budget represents departmental appropriations recommended by the Governor and passed by the legislature prior to the beginning of the fiscal year. Appropriations can only be amended through the normal appropriation process which requires approval of the legislature and the Governor. Certain estimated original appropriation amounts may be increased as necessary. If supplemental appropriations are required for an appropriation year, they are enacted during the next legislative session by the same process used for original appropriations. Budgetary control is maintained at the individual appropriation level because expenditures cannot exceed the appropriation amounts. In addition, the Governor has the authority to reduce the allotments of appropriations in any fund if it appears that the revenues for the fiscal year will fall below estimated revenues. Unexpended appropriations lapse at the end of each appropriation year. Certain appropriations referred to as "reappropriations" represent the continuation of a prior year's program or project which requires additional time for completion.

The appropriation process begins with state agencies preparing budget requests for the following fiscal year almost as soon the legislative session is completed in May. These budget requests are prepared in accordance with guidelines issued by the Office of Administration - Division of Budget and Planning (BAP). These budget requests encompass current funding (core budget) and new requests (decision items) that the state agency would use to expand or start new programs within their agency. Budget requests are submitted to BAP by October 1 for the following fiscal year. In addition, copies of the budget requests are submitted to the legislature at the same time.

BAP analyzes each department's budget request to determine the Executive Budget. The Executive Budget is published in mid-January and distributed after the Governor gives the State of the State and Budget Message to a joint session of the legislature. The Executive Budget goes through the legislative review and approval process. All truly agreed and finally passed appropriation bills are sent to the Governor for approval. The Governor either signs an appropriation bill, vetoes the entire appropriation bill, or line-item vetoes part or all of sections or lines of the appropriation bill. The Governor must act before July 1 and on that date the appropriated moneys may be expended.

The Governor controls the rate of expenditure against appropriations through the allotment process. An initial reserve plan is the statutorily required three percent withholding on appropriations to be expended upon the approval of the Governor. The Governor may further withhold funds to reduce expenditures below appropriations whenever actual revenues are less than estimates on which the appropriations are based.

Objectives

The evaluation had the following components: if there are current state funds that have been eliminated that are still in use, to determine if there are new state funds that have not been established for use, to determine if legislative intent has been met, to determine if the process to create administratively created funds is proper and concurs with the intent of the legislature, to determine if administratively created funds are efficient and effective, to determine the amounts of lapsed balances and how the Office of Administration - Division of Budget and Planning allow for lapsed balances in computing subsequent years budgets, to determine if any fund balance is increasing and the reasons for the increase, and prepare a compilation of cash balances for the evaluation period.

Scope/Methodology

The scope of the review concentrated on the unexpended cash balances and reasons for large unexpended cash balances that were administered by various state agencies for the time period of July 1, 1996 through June 30, 2001. The methodology used by the Oversight Division included inquiries of fund descriptions and fund processing and evaluations of management controls to the extent necessary to fulfill evaluation objectives. A primary method used to measure objectives was conducting personal interviews and surveys with agency personnel.

Chapter 2 - Comments

Some funds that were administratively created appear to lack activity to justify their existence.

During Oversight's review of administratively created funds, it appears that some funds may be unnecessary. In reviewing these funds Oversight noted four funds have not experienced any fund activity for the last four fiscal years and fourteen funds (including the four previously mentioned) that did not have any activity in the last fiscal year, Fiscal Year 2001. The Office of Administration (OA) indicated that they do eliminate unnecessary funds but that it occurs on an infrequent basis. OA stated that they have no written procedures as to what process is used to do this, or how extensive the analysis is to make the determinations. Currently the State of Missouri administers over 450 state funds. This large number of funds creates an administrative burden upon the state. Any unnecessary funds should be eliminated to reduce the burden.

Oversight recommends that procedures be developed by OA concerning fund elimination. These procedures should pertain to: analysis of fund necessity (e.g., how to conduct, how often); communication between OA and the administering agency(s) (e.g., who needs to contact who, how, and when); and the actions taken to eliminate the fund(s). Eliminated funds and the reasons for their elimination should be documented and these records should be retained.

The Office of Administration does not have written procedures for the establishing of administratively created funds.

The Office of Administration (OA) administratively creates funds through its own interpretation of authority outlined in Section 33.060, RSMo. Section 33.060 states "the commissioner of administration shall keep the general accounting books of the state, ... including an account of all moneys received by the state from any source and of every separate fund in the treasury authorized by law." However, in reviewing the process of creating administrative funds, Oversight noted there were no written procedures for this process. In addition, it was unclear if there are standard procedures for this process. For example, it appears there is no standard written criteria for approving requests for new

funds nor is there standard written requirements for making fund requests. Some reasons given by various state agencies for the establishment of a new fund include:

- 1) to track the large amount of appropriation for a specific purpose;
- 2) so accounting for this purpose can be kept separate from other federal funds due to its short term nature;
- 3) to heighten awareness of the short term nature of funding source;
- 4) to separately track a one-time \$220,000 federal grant received to develop a state crime insurance program, and;
- 5) to distinguish cash donations from stock and security donations.

The lack of written standards and procedures leaves this process open to questions regarding consistency, necessity, and equity, and hinders the review and evaluation steps performed in effective public administration.

Instructions and procedures for administratively creating state funds may vary depending upon the OA staff member contacted, which raises the question of consistency. Lack of documentation and/or consistent documentation retained by OA for many of the requested funds creates uncertainty surrounding the necessity of the funds' creation. It should also be noted that a lack of written standards and procedures is not automatic evidence that a government operation is being performed inconsistently, unnecessarily, or inequitably. It means, however, that the government operation is in a position where its administration is left open to question. In this case, because there are no standards and in many cases no records of the decision-making, the function of administratively creating funds is open to question.

Oversight recommends that the OA develop written

Special revenue funds are not being charged for centralized state operation costs of state government.

procedures for administratively creating funds. The procedures should include requirements for agencies when making requests and criteria used by OA for approving requests. Documentation on all requests should be retained for records and evaluation purposes.

As of June 30, 2001, the State of Missouri had 254 special revenue funds in the state treasury. These funds have been established to account for various activities including professional registration, public education, conservation and environmental protection, judicial protection and assistance, agriculture and state fair, social assistance, highways and transportation, unemployment and workers' compensation, and reimbursements and other. Since 1990, over 110 new special revenue funds have been enacted by the legislature or a vote of the people.

Many of these special revenue funds are allowed to retain interest earnings and are exempted from the biennial transfer (section 33.080, RSMo) to the General Revenue Fund. For the year ended June 30, 2001, special revenue funds earned and retained interest earnings of approximately \$88.9 million.

Special revenue funds are supported by centralized state operations funded through the General Revenue Fund. These centralized state operations include but are not limited to the Office of Administration (OA) - Division of Accounting, OA - Division of Purchasing, OA - Division of Facilities Management, and OA - Division of Design and Construction. For example, the General Revenue Fund incurred appropriations of \$31,074,317 for accounting, purchasing, facilities management, and design and construction during the fiscal year ended June 30, 2001. Based on fiscal year 2001 appropriations, special revenue funds accounted for twenty-eight percent of the total state appropriations. This would have resulted in the special revenue funds reimbursing the General Revenue Fund \$10.9 million for services that were incurred but not paid by the special revenue funds. The limitation of expenses to be charged to the special revenue funds could be limited to

the amount of interest earnings that a special revenue fund retains. This would not allow the special revenue funds to increase fees charged to taxpayers of Missouri to cover these costs.

A more detailed study may be needed to establish a system that would allow for the special revenue funds to incur these costs. For example, the Department of Social Services has in place a cost allocation plan for the charging of direct and indirect administration expenses to federal grants and programs that involves monthly time studies. In addition, the study may point out additional services that are being paid by the General Revenue Fund that benefit the special revenue funds, such as elected officials, and the legislature.

Oversight recommends the Office of Administration implement a study of charging centralized state operations costs to all funds except for the General Revenue Fund.

State agencies may be using General Revenue Fund funding in lieu of available funding from other sources including special revenue-type funds.

Oversight reviewed the appropriations, expenditures, and ending cash balances for the last three fiscal years for all state funds. We identified thirty-three special revenue state funds for further investigation and analysis. The funds selected were those that had either a large lapse appropriation or a large cash balance in relation to annual expenditures, or both. We surveyed the administering state agencies requesting that they verify the funds enabling language, explain why the appropriation lapsed and/or why the cash balance increased, and describe the spending plan for the fund balance.

In addition, Oversight reviewed to determine if the administering state agencies had also received an appropriation from the General Revenue Fund for the same purpose as the special revenue fund. Oversight further analyzed each administering state agency to determine if the spending of general revenue was made for the benefit of special revenue funds. The effect of spending general revenue sources instead of special revenue sources may be two-fold: 1)decreases the amount of general revenue

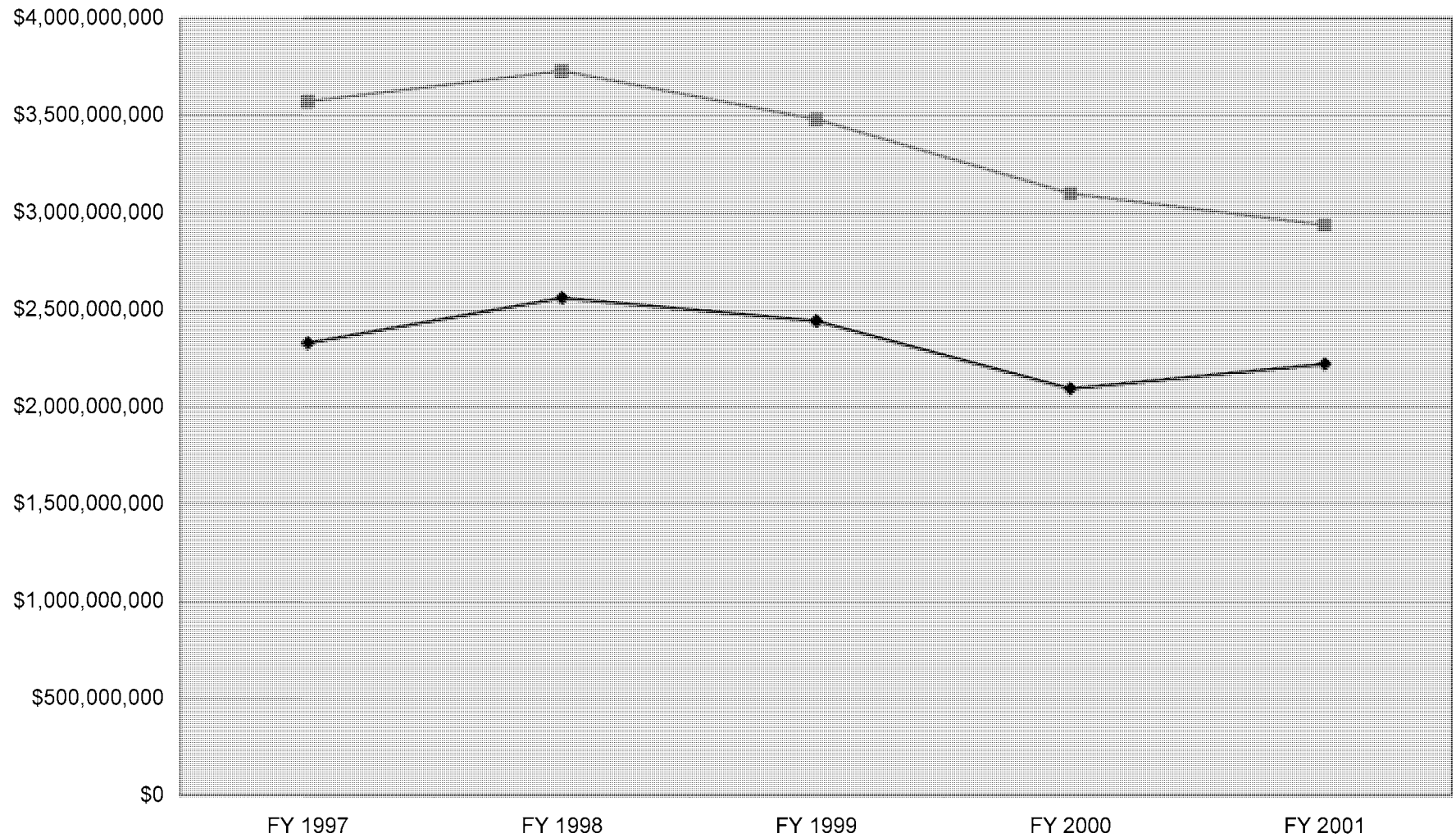
available for other programs or lapse for use by the state in the following year; or 2) allows special revenue to accumulate in the fund increasing the cash balance in the special revenue fund which may not lapse at the end of the fiscal year. In addition, many of these special revenue funds earn interest income which is retained in the fund.

For example, the Petition Audit Revolving Trust Fund administered by the State Auditor's Office (SAO) received appropriations totaling \$1,815,337 for the three years ending June 30, 2001 while spending \$207,011. Receipts totaling \$522,522 were deposited into the fund during this same time period allowing the fund to increase the cash balance by \$315,511 plus interest earnings. The intent of this fund is to pay for the costs incurred by the SAO of performing petition audits, and those direct costs should be paid from this fund. Paying petition audit costs from General Revenue or some other funding source when funds were available in the Petition Audit Revolving Fund does not appear appropriate. The SAO stated they intend to spend down this increase in the cash balance by approximately \$25,000 per month during fiscal year 2002. Oversight recommends that the General Assembly encourage the Executive Branch to establish procedures to ensure that special revenue funds are expended on the purposes for which they were created, as opposed to accumulating a cash balance while general revenue is spent on those purposes. In addition, further review should be conducted to identify areas where general revenue has been spent for what should have been special revenue-funded activities. Where these situations are discovered, the General Assembly should consider adjusting agency appropriations to "pay back" the General Revenue Fund.

APPENDIX 1

Five-Year Cash Balances

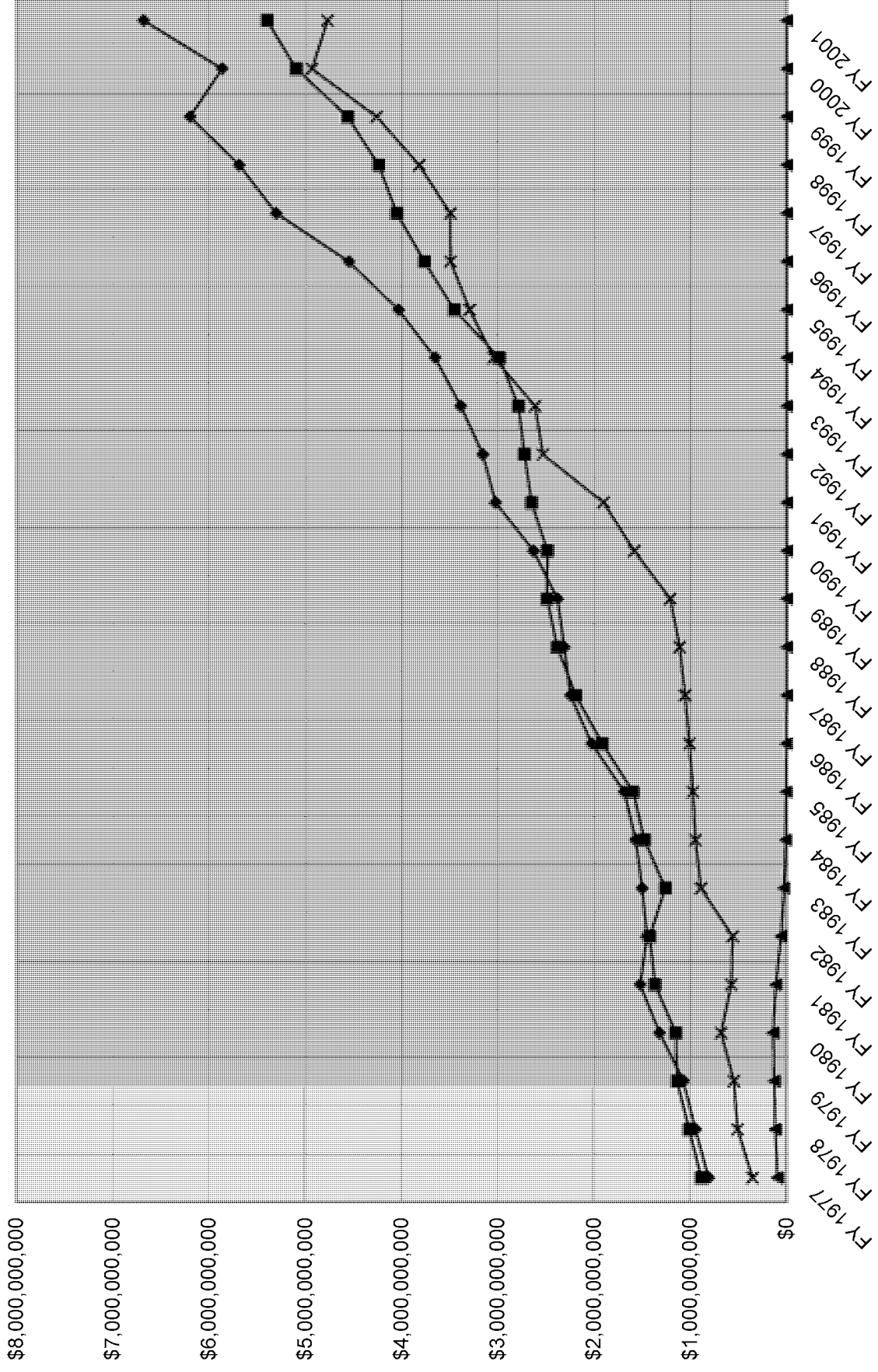
—◆— Cash Balances - Largest Funds —■— Cash Balances - All Funds



APPENDIX 2

Appropriations

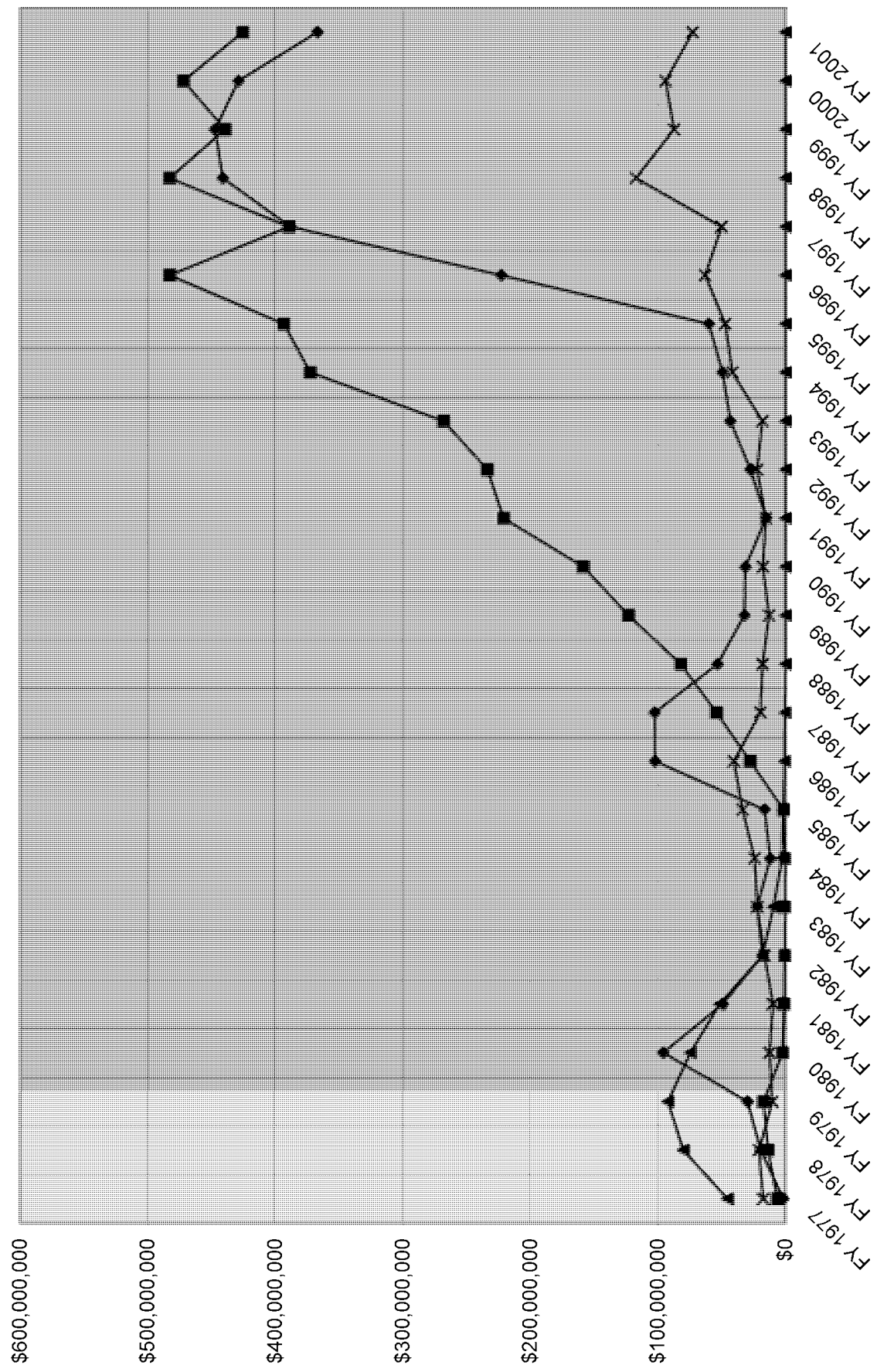
◆ General Revenue —▲— Revenue Sharing Trust Fund —x— Federal —■— Special Revenue



APPENDIX 3

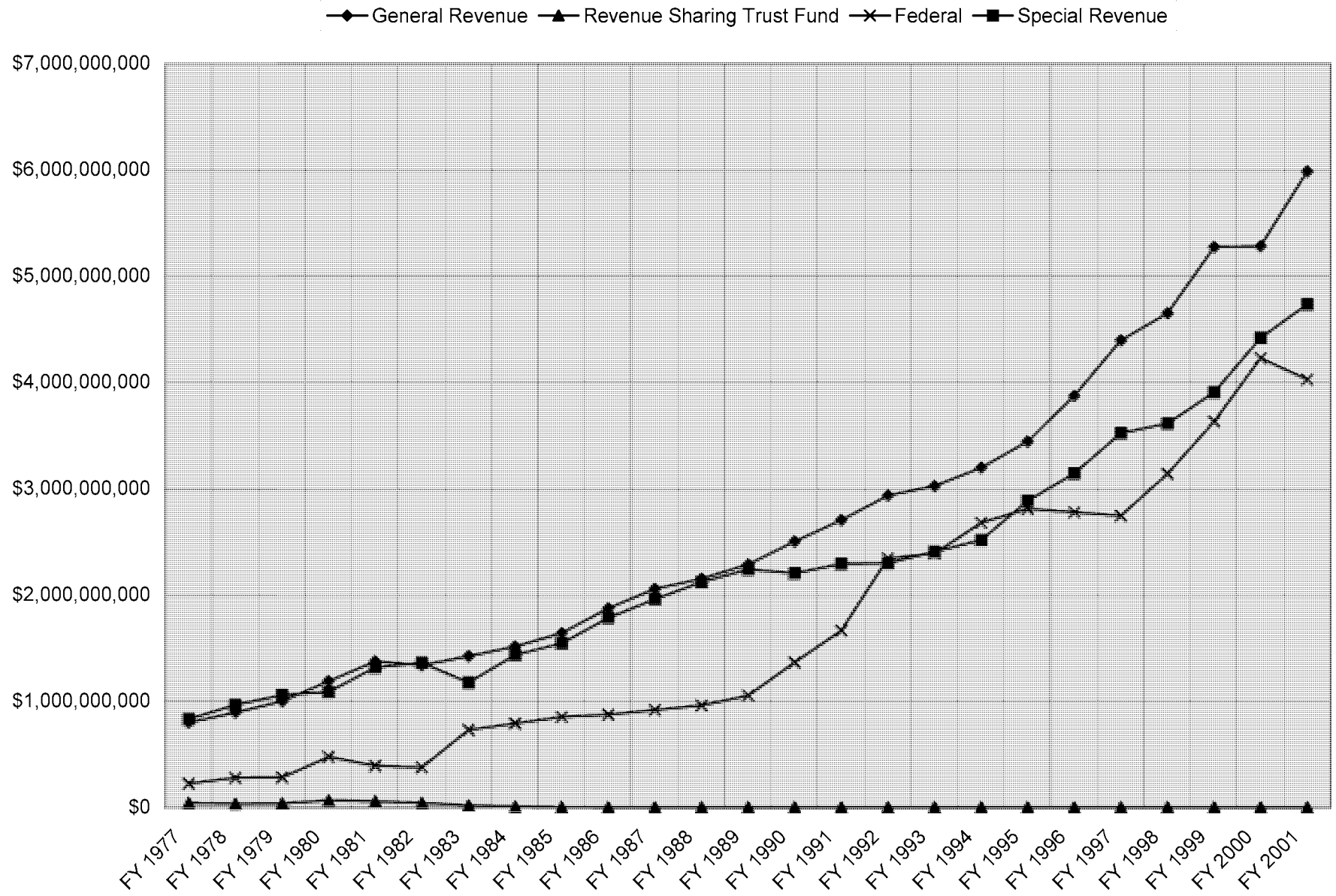
Reappropriations

◆ General Revenue ▲ Revenue Sharing Trust Fund ✕ Federal ■ Special Revenue



APPENDIX 4

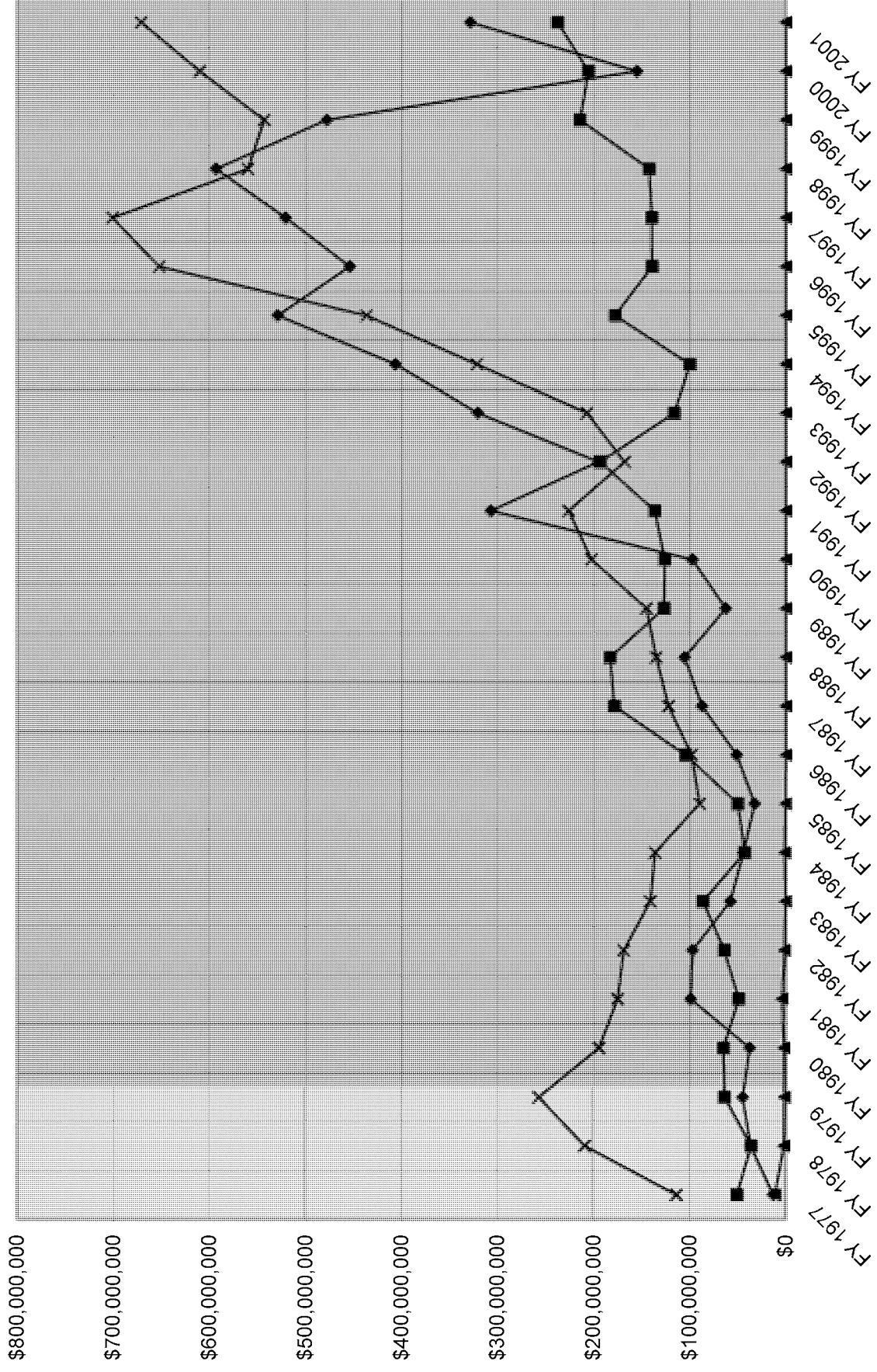
Expenditure



APPENDIX 5

Lapses

◆ General Revenue ▲ Revenue Sharing Trust Fund ✕ Federal ■ Special Revenue



APPENDIX 6



RECEIVED

FEB 20 2002

OVERSIGHT DIVISION

Bob Holden
Governor

State of Missouri
OFFICE OF ADMINISTRATION

Post Office Box 809
Jefferson City
65102
(573) 751-1851
February 20, 2001

Jacquelyn D. White
Commissioner

Mr. Mickey Wilson, Acting Director
Joint Committee on Legislative Research, Oversight Division
Capitol, Room 132
Jefferson City, MO 65101

Dear Mr. Wilson:

We have reviewed your program evaluation of Unexpended Fund Balances and the Office of Administration has the following comments related to your findings:

Fund Elimination:

We concur with this recommendation. Due to budget cuts and staff limitations some funds have not been deleted and procedures have not been developed related to fund deletions.

Administratively Created Funds:

The Assistant Director of Accounting reviews all requests for administratively created funds. Thus, all requests for administratively created funds are reviewed and analyzed by a single person in a consistent manner.

Special Revenue Funds & Centralized State Operation Costs:

We agree that there are numerous special revenue funds and that these funds are supported by centralized state operations that are funded via General Revenue appropriations. We concur that all funds should be charged for centralized state operations. In the FY03 budget (HB 5.040), the Governor recommended that \$30 million be transferred from other funds to the General Revenue Fund to support the state's central services.

General Revenue Appropriations vs. Special Revenue Funds Appropriations:

Due to the current budgetary crisis we concur that General Revenue appropriations should not be used if available funding exists from other non-General Revenue appropriations (special revenue funds). In various memos Budget and Planning has informed agencies that other appropriations should be used prior to spending General Revenue appropriations whenever possible.

Sincerely,

Jacquelyn D. White
Commissioner of Administration

c: Jim Carder
Brian Long
Mark R. Reading

